

**ANNUAL STATEMENT**

**OF THE**

**of** \_\_\_\_\_

**in the state of** \_\_\_\_\_

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

**FOR THE YEAR ENDED  
December 31, 2004**



47155200420100100

HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2004  
OF THE CONDITION AND AFFAIRS OF THE

Delta Dental Plan of Arkansas, Inc.

NAIC Group Code 0000 0000 NAIC Company Code 47155 Employer's ID Number 71-0561140  
(Current Period) (Prior Period)

Organized under the Laws of , State of Domicile or Port of Entry Arkansas

Country of Domicile

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [X]  
Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [ ]  
Other [ ] Is HMO Federally Qualified? YES [ ] NO [ ]

Date Incorporated or Organized: March 15, 1982 Date Commenced Business: August 1, 1982

Statutory Home Office: 1513 Country Club Sherwood, AR 72120

Main Administrative Office: 1513 Country Club Sherwood, AR 72120 501-835-3400

Mail Address: 1513 Country Club Sherwood, AR 72120

Primary Location of Books and Records: 1513 Country Club Sherwood, AR 72120 501-835-3400

Internet Website Address: www.deltadentalar.com

Statutory Statement Contact: Phyllis Rogers 501-992-1616  
progers@deltadentalar.com 501-992-1617

Policyowner Relations Contact: 1513 Country Club Sherwood, AR 72120 501-835-3400

OFFICERS

	Name	Title
1.	Eddie Allen Choate	President/CEO
2.	Ebb Weldon Johnson	Secretary
3.	Harold Perrin	Treasurer

Vice-Presidents

Name	Title	Name	Title
Ina Lynn Harbert		Phyllis Lynn Rogers	
Herman Eldon Hurd		Lynne Belue Lawrence	
Allen Dale Moore			

DIRECTORS OR TRUSTEES

David Hiram Cole	Ronald Paul Ownbey	Harold Wayne Perrin	Robert Joe Matlock
Maxwell Usery Fleming	Earl Alexander Gladden	Robert Howard Gladden	Ebb Weldon Johnson
James Talbert Johnston	Daniel Austin Lieblong	Byron Scott Southern	

State of Arkansas  
County of Pulaski ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Eddie Allen Choate (Printed Name) 1. President/CEO (Title)	(Signature) Ebb Weldon Johnson (Printed Name) 2. Secretary (Title)	(Signature) Harold Perrin (Printed Name) 3. Treasurer (Title)
---	---	--

Subscribed and sworn to before me this  
11th day of February, 2005

- a. Is this an original filing? YES [ X ] NO [ ]  
b. If no: 1. State the amendment number  
2. Date filed  
3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	15,684,169		15,684,169	15,277,123
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	3,503,068		3,503,068	3,176,561
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	6,328,787	2,718,624	3,610,163	2,647,358
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)	964,453		964,453	381,819
5. Cash (\$ 6,631,883, Schedule E-Part 1), cash equivalents (\$ 0, Schedule E-Part 2) and short-term investments (\$ 0, Schedule DA)	6,631,884		6,631,884	4,294,935
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				72,406
10. Subtotals, cash and invested assets (Lines 1 to 9)	33,112,361	2,718,624	30,393,737	25,850,202
11. Investment income due and accrued	138,536		138,536	121,518
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	611,585		611,585	
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans	4,146,591		4,146,591	3,050,683
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset				
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software	705,841		705,841	891,578
18. Furniture and equipment, including health care delivery assets (\$ 0 )	646,783	646,783		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	92,565		92,565	41,093
21. Health care (\$ 0 ) and other amounts receivable	12,775		12,775	336,692
22. Other assets nonadmitted	54,517	54,517		
23. Aggregate write-ins for other than invested assets				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	39,521,554	3,419,924	36,101,630	30,291,766
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	39,521,554	3,419,924	36,101,630	30,291,766

DETAILS OF WRITE-INS				
0901. 457 Deferred Compensation Plan				72,406
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 + 0998) (Line 9 above)				72,406
2301. PREPAID EXPENSES				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)				

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	2,505,000		2,505,000	2,900,000
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	108,923		108,923	128,083
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	785,267		785,267	624,112
9. General expenses due or accrued	1,205,041		1,205,041	1,377,311
10.1Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized capital gains (losses))				
10.2Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	522,433		522,433	524,637
13. Remittance and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)	2,000,000		2,000,000	2,000,000
15. Amounts due to parent, subsidiaries and affiliates				
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured accident and health plans	2,328,057		2,328,057	2,324,857
21. Aggregate write-ins for other liabilities (including \$ 0 current)				65,000
22. Total liabilities (Lines 1 to 21)	9,454,721		9,454,721	9,944,000
23. Common capital stock	X X X	X X X		
24. Preferred capital stock	X X X	X X X		
25. Gross paid in and contributed surplus	X X X	X X X		
26. Surplus notes	X X X	X X X		
27. Aggregate write-ins for other than special surplus funds	X X X	X X X	50,000	50,000
28. Unassigned funds (surplus)	X X X	X X X	26,596,909	20,297,766
29. Less treasury stock, at cost:				
29.1 0 shares common (value included in Line 23 \$ 0 )	X X X	X X X		
29.2 0 shares preferred (value included in Line 24 \$ 0 )	X X X	X X X		
30. Total capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	26,646,909	20,347,766
31. Total liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	36,101,630	30,291,766

DETAILS OF WRITE-INS				
2101. Accrued premium tax				65,000
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)				65,000
2701. Surplus required by the Arkansas Insurance Department	X X X	X X X	50,000	50,000
2702.	X X X	X X X		
2703.	X X X	X X X		
2798. Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X	50,000	50,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1	2	3
	Uncovered	Total	Total
1. Member Months	X X X	1,384,797	1,331,574
2. Net premium income (including \$ 0 non-health premium income)	X X X	52,980,674	48,844,265
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X	95,121	
8. Total revenues (Lines 2 to 7)	X X X	53,075,795	48,844,265
Hospital and Medical:			
9. Hospital/medical benefits		43,430,187	41,318,009
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments, and bonus amounts			
16. Subtotal (Lines 9 to 15)		43,430,187	41,318,009
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		43,430,187	41,318,009
19. Non-health claims			
20. Claims adjustment expenses, including \$ 0 cost containment expenses		1,412,907	1,599,770
21. General administrative expenses		4,650,186	3,870,421
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		49,493,280	46,788,200
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	3,582,515	2,056,065
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		703,977	519,461
26. Net realized capital gains (losses)		15,368	5,223
27. Net investment gains (losses) (Lines 25 plus 26)		719,345	524,684
28. Net gain or (loss) from agents' or premium balances charged off [( amount recovered \$ 0 ) (amount charged off \$ 0 )]			
29. Aggregate write-ins for other income or expenses			215,747
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	4,301,860	2,796,496
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	4,301,860	2,796,496

DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701. MISCELLANEOUS INCOME	X X X	95,121	
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X	95,121	
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. MISCELLANEOUS INCOME			37,507
2902. OCCUPANCY OF OWN BUILDING INCOME			190,500
2903. INTEREST EXPENSE			(12,260)
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			215,747

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	20,347,766	21,357,617
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	4,301,860	2,796,496
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses	183,838	646,270
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	1,813,445	(4,452,617)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Lines 34 to 47)	6,299,143	(1,009,851)
49. Capital and surplus end of reporting year (Line 33 plus 48)	26,646,909	20,347,766

DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW		
Cash from Operations		
	1	2
	Current Year	Prior Year
1. Premiums collected net of reinsurance	52,866,936	48,776,599
2. Net investment income	605,325	524,684
3. Miscellaneous income	326,910	25,247
4. Total (Lines 1 through 3)	53,799,171	49,326,530
5. Benefit and loss related payments	43,837,962	40,545,009
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	6,721,347	5,249,348
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)		
10. Total (Lines 5 through 9)	50,559,309	45,794,357
11. Net cash from operations (Line 4 minus Line 10)	3,239,862	3,532,173
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,482,216	3,561,000
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	204,172	1,103,735
12.8 Total investment proceeds (Lines 12.1 to 12.7)	5,686,388	4,664,735
13. Cost of investments acquired (long-term only):		
13.1 Bonds	6,054,557	4,275,000
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		4,715,053
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	6,054,557	8,990,053
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(368,169)	(4,325,318)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		2,000,000
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(534,744)	
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(534,744)	2,000,000
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)	2,336,949	1,206,855
19. Cash and short-term investments:		
19.1 Beginning of year	4,294,935	3,088,080
19.2 End of year (Line 18 plus Line 19.1)	6,631,884	4,294,935

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001.		
20.0002.		
20.0003.		

## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

[illegible][illegible]



UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only	52,980,674			52,980,674
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid				
8. Stop loss				
9. Disability income				
10. Long-term care				
11. Other health				
12. Health subtotal (Lines 1 through 11)	52,980,674			52,980,674
13. Life				
14. Property / casualty				
15. Totals (Lines 12 to 14)	52,980,674			52,980,674



UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct													
1.2 Reinsurance assumed													
1.3 Reinsurance ceded													
1.4 Net													
2. Incurred but Unreported:													
2.1 Direct	2,505,000			2,505,000									
2.2 Reinsurance assumed													
2.3 Reinsurance ceded													
2.4 Net	2,505,000			2,505,000									
3. Amount Withheld from Paid Claims and Capitations:													
3.1 Direct													
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net													
4. TOTALS:													
4.1 Direct	2,505,000			2,505,000									
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net	2,505,000			2,505,000									

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental Only	2,748,661	41,076,526	3,389	2,501,611	2,752,050	2,900,000
4. Vision Only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)	2,748,661	41,076,526	3,389	2,501,611	2,752,050	2,900,000
10. Other non-health						
11. Medical incentive pools and bonus amounts						
12. Totals (Lines 9 to 11)	2,748,661	41,076,526	3,389	2,501,611	2,752,050	2,900,000

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)

**Hospital & Medical**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

## UNDERWRITING AND INVESTMENT EXHIBIT

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

## Medicare Supplement

## Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS

(000 Omitted)

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior	2,300				
2. 2000	27,892	2,299			
3. 2001	X X X	29,789	2,164		
4. 2002	X X X	X X X	34,221	2,306	
5. 2003	X X X	X X X	X X X	38,239	2,749
6. 2004	X X X	X X X	X X X	X X X	41,076

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000	3,180	3			
3. 2001	X X X	2,497	2		
4. 2002	X X X	X X X	2,125	4	
5. 2003	X X X	X X X	X X X	2,896	3
6. 2004	X X X	X X X	X X X	X X X	2,502

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. 2000	35,231	30,192	416	1.378	30,608	86.878			30,608	86.878
2. 2001	38,467	32,075	1,109	3.458	33,184	86.266			33,184	86.266
3. 2002	42,090	36,385	1,411	3.878	37,796	89.798			37,796	89.798
4. 2003	48,844	40,545	1,485	3.663	42,030	86.049	3		42,033	86.056
5. 2004	52,981	43,825	1,413	3.224	45,238	85.385	2,502	109	47,849	90.314





## UNDERWRITING AND INVESTMENT EXHIBIT

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

## Federal Employees Health Benefits Plan

## Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

## UNDERWRITING AND INVESTMENT EXHIBIT

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

## Title XVIII - Medicare

## Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

## UNDERWRITING AND INVESTMENT EXHIBIT

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

## Title XIX - Medicaid

## Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

## UNDERWRITING AND INVESTMENT EXHIBIT

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS**  
**(000 Omitted)**

## Other

## Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000					
3. 2001	X X X				
4. 2002	X X X	X X X			
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS

(000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior	2,300				
2. 2000	27,892	2,299			
3. 2001	X X X	29,789	2,164		
4. 2002	X X X	X X X	34,221	2,306	
5. 2003	X X X	X X X	X X X	38,239	2,749
6. 2004	X X X	X X X	X X X	X X X	41,076

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000	3,180	3			
3. 2001	X X X	2,497	2		
4. 2002	X X X	X X X	2,125	4	
5. 2003	X X X	X X X	X X X	2,896	3
6. 2004	X X X	X X X	X X X	X X X	2,502

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3 / 2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5 / 1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9 / 1) Percent
1. 2000	35,231	30,192	416	1.378	30,608	86.878			30,608	86.878
2. 2001	38,467	32,075	1,109	3.458	33,184	86.266			33,184	86.266
3. 2002	42,090	36,385	1,411	3.878	37,796	89.798			37,796	89.798
4. 2003	48,844	40,545	1,485	3.663	42,030	86.049	3		42,033	86.056
5. 2004	52,981	43,825	1,413	3.224	45,238	85.385	2,502	109	47,849	90.314

**NONE                      Underwriting and Investment Exhibit - Part 2D**

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3  General Administrative Expenses	4  Investment Expenses	5  Total
	1  Cost Containment Expenses	2  Other Claim Adjustment Expenses			
1. Rent (\$ 190,500 for occupancy of own building)		114,300	76,200		190,500
2. Salaries, wages and other benefits		2,694,162	2,700,122		5,394,284
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)			3,287,972		3,287,972
4. Legal fees and expenses			32,855		32,855
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			67,656		67,656
7. Traveling expenses		5,348	288,768		294,116
8. Marketing and advertising			94,022		94,022
9. Postage, express and telephone		969,991	89,764		1,059,755
10. Printing and office supplies		54,148	142,267		196,415
11. Occupancy, depreciation and amortization		107,948	71,965		179,913
12. Equipment		40,919	27,279		68,198
13. Cost or depreciation of EDP equipment and software		375,530	250,089		625,619
14. Outsourced services including EDP, claims, and other services		1,885,708	129,341		2,015,049
15. Boards, bureaus and association fees			362,951		362,951
16. Insurance, except on real estate		77,098	51,399		128,497
17. Collection and bank service charges		105,951	45,408		151,359
18. Group service and administration fees					
19. Reimbursements by uninsured accident and health plans		(5,545,878)	(3,697,251)		(9,243,129)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes			25,351		25,351
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes		261,643			261,643
23.3 Regulator authority licenses and fees			17,804		17,804
23.4 Payroll taxes		182,239	118,047		300,286
23.5 Other (excluding federal income and real estate taxes)			20,516		20,516
24. Investment expenses not included elsewhere				46,708	46,708
25. Aggregate write-ins for expenses		83,800	447,661		531,461
26. Total expenses incurred (Lines 1 to 25)		1,412,907	4,650,186	46,708 (a)	6,109,801
27. Less expenses unpaid December 31, current year		108,923	1,204,912		1,313,835
28. Add expenses unpaid December 31, prior year		128,083	1,377,311		1,505,394
29. Amounts receivable relating to uninsured accident and health plans, prior year					
30. Amounts receivable relating to uninsured accident and health plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)		1,432,067	4,822,585	46,708	6,301,360

DETAILS OF WRITE-INS					
2501. Charitable Contributions			293,589		293,589
2502. Miscellaneous Other		188	4,395		4,583
2503. Record Storage		15,437	10,292		25,729
2598. Summary of remaining write-ins for Line 25 from overflow page		68,175	139,385		207,560
2599. Totals (Lines 2501 through 2503 + 2598) (Line 25 above)		83,800	447,661		531,461

(a) Includes management fees of \$ 0 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 544,934	499,762
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	62,421	62,421
2.21 Common stocks of affiliates	(47,527)	(47,527)
3. Mortgage loans	(c)	
4. Real estate	(d)	190,500
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 86,586	86,586
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	646,414	791,742
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 46,708
13. Interest expense		(h) 41,057
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		87,765
17. Net investment income (Line 10 minus Line 16)		703,977
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		
(a) Includes \$ 0 accrual of discount less \$ 90,636 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.		
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.		
(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.		
(i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1. U.S. Government bonds	15,367		(91,327)	(75,960)
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)				
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)			274,034	274,034
2.21 Common stocks of affiliates			52,473	52,473
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	15,367		235,180	250,547
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)				



EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	2,718,624	3,844,406	1,125,782
4.2 Properties held for the production of income			
4.3 Properties held for sale		582,634	582,634
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivable for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,718,624	4,427,040	1,708,416
11. Investment income due and accrued			
12. Premiums and considerations:			
12.1 Uncollected premiums and agents' balances in the course of collection			
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
12.3 Accrued retrospective premiums			
13. Reinsurance:			
13.1 Amounts recoverable from reinsurers			
13.2 Funds held by or deposited with reinsured companies			
13.3 Other amounts receivable under reinsurance contracts			
14. Amounts receivable relating to uninsured plans			
15.1 Current federal and foreign income tax recoverable and interest thereon			
15.2 Net deferred tax asset			
16. Guaranty funds receivable or on deposit			
17. Electronic data processing equipment and software			
18. Furniture and equipment, including health care delivery assets	646,783	698,156	51,373
19. Net adjustment in assets and liabilities due to foreign exchange rates			
20. Receivable from parent, subsidiaries and affiliates			
21. Health care and other amounts receivable			
22. Other assets nonadmitted	54,517		(54,517)
23. Aggregate write-ins for other than invested assets		108,173	108,173
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,419,924	5,233,369	1,813,445
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	3,419,924	5,233,369	1,813,445

DETAILS OF WRITE-INS			
0901. 457 Deferred Compensation Plan			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. PREPAID EXPENSES		108,173	108,173
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)		108,173	108,173

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. The organization's financial statements have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual.
- b. The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practices and Procedures Manual requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The actual results could differ from these estimates.
- c.
  - (1) Short-term investments with a maturity of three months or less at the time of purchase are reported as cash equivalents.
  - (2) Corporate bonds are stated at fair (market) value.
  - (3) Common stocks are stated at fair (market) value.
  - (6) US Treasury Bonds and government agency securities are stated at the lower of amortized cost or fair (market) value.
  - (7) The organization's investment in Omega Administrators, Inc. (a wholly-owned subsidiary) is reported using the equity method as required by generally accepted accounting principles.
- d. Dental premiums are billed in advance and are included in income ratably over the period to which they apply; accordingly, the portion of dental premiums applicable to future periods is included in the statements of admitted assets, liabilities, capital and surplus - statutory basis as unearned premiums. Dental care costs are accrued as services are rendered, including estimates of costs incurred but not yet reported.

Claims incurred and unpaid include both claims in process and a provision for incurred but not reported claims. The provision for incurred but not reported claims is an actuarially determined and certified estimate based on claims experience and accumulated statistical data. The methods for making such actuarially determined and certified estimates and for establishing the resulting liability are continually reviewed. Provision is also made for estimated claims processing costs to be incurred in paying such claims. Management believes the amounts reflected for these liabilities are adequate; however, the ultimate liabilities may differ from the amounts recorded. Any adjustments are reflected in period they are recorded.
- e. Under the organization's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are included as "Cash and Short-Term Investments" in the statements of admitted assets, liabilities, capital and surplus - statutory basis.
- f. The organization maintains deposits from certain employer groups with administrative services contracts. These deposits represent a prefunding of expected costs under the contract.

NOTE 2 - ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

None.

NOTE 3 - BUSINESS COMBINATIONS AND GOODWILL

None.

NOTE 4 - DISCONTINUED OPERATIONS

None.

NOTE 5 - INVESTMENTS

- d. Loan-backed securities (government agencies) are stated at the lower of amortized cost or fair (market) value.

NOTE 6 - JOIN VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

None.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INVESTMENT INCOME

- a. Due and accrued investment income is recorded in compliance with the NAIC Annual Statement Instructions and Accounting Practices and Procedure Manual.
- b. The total amount excluded was \$0.

NOTE 8 - DERIVATIVE INSTRUMENTS

None.

NOTE 9 - INCOME TAXES

As a 501(c)(4) entity under the Internal Revenue Code, the organization is not subject to federal income tax.

NOTE 10 - INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- a. Omega Administrators, Inc.

On December 3, 2002, the organization incorporated Omega Administrators, Inc. (Omega) as a wholly owned for-profit subsidiary. Omega was incorporated to serve as a third party administrator and provide the organization with an alternative corporation which it can use to administer dental coverages for other insurance carriers outside the boundaries of the state of Arkansas. The current Delta Dental Association restrictions prevent the organization from soliciting groups that do not operate within the boundaries of the state of Arkansas.

In order to provide Omega with working capital, the organization entered into a loan agreement with Omega to provide up to \$111,530 in funding. This loan was revised on September 25, 2004, bears interest at „Fed Funds plus 5.00%“ and matures on December 31, 2008. The loan is unsecured and is payable upon demand or at maturity if no demand is made. At December 31, 2004, a total of \$85,000 had been advanced by the organization to Omega. During the year ended December 31, 2004, the organization received \$4,399 in interest income from Omega.

On July 31, 2003, Omega and USAbLe Life (USAbLe) entered into an administrative services agreement, where Omega "will provide product support, underwriting, administrative claims adjudication and related services necessary to administer the product after the sale". USAbLe will "provide all services related to the sale and marketing of the product, product filing and regulatory compliance, sales materials, premium billing and collection, producer licensing and commission payments, and related matters". The initial term of this agreement is for a period of five years and will expire on July 31, 2008.

Simultaneous to the Omega administrative services agreement with USAbLe, the organization entered into a reinsurance agreement with USAbLe, whereby USAbLe will underwrite and sell dental insurance, fifty percent of which will be reinsured by the organization. Any profit or loss will be shared equally between the organization and USAbLe after the deduction of all expenses, costs and reserves from the total amount of premiums.

On August 1, 2003, Omega and Group Benefit Administrators, LLC (GBA) entered into an administrative services agreement, where GBA will provide:

- (1) Processing and payment of claims and related data processing based upon claims data provided by Omega
- (2) Printing and mailing of claim payment checks
- (3) Furnish Omega's bank with a positive pay file for claim payments
- (4) Printing and mailing "Notifications of Benefits"
- (5) Establish web-site based interface for Omega's customer services, employer and subscriber web sites
- (6) Assistance to Omega staff for complaint handling
- (7) Eligibility maintenance based upon the information provided by Omega to GBA
- (8) Access to data files detailing the claims paid
- (9) Establish group records based upon information provided by Omega
- (10) Standard system reports via the web-site
- (11) Produce group billings

GBA will receive a per month administrative fee for the above services equal to sixty-eight cents per enrolled employee, with enrollment based upon the employees shown on the

## NOTES TO FINANCIAL STATEMENTS

respective month's billing for groups. The initial agreement expired on December 1, 2004 and was renewed for an additional one year period. Administrative fees incurred by Omega during the year ended December 31, 2004 totaled \$7,063.

On October 31, 2003, the organization and Omega entered into an administrative services agreement, where the organization "will provide product support, customer service and related services necessary to administer dental insurance contracts administered by Omega". The organization will remit monthly invoices to Omega for "the cost of services to include the salary of employees for the time worked on Omega business plus thirty percent for employee benefits plus any expense incurred due to the administration of Omega's business". The initial term of this agreement is for a period of five years and will expire on October 31, 2008. The organization received administration fees of \$79,973 and \$10,229 during the years ended December 31, 2004 and 2003.

**b. Omega Administrators of Mississippi, Inc.**

On October 24, 2003, Omega incorporated Omega Administrators of Mississippi, Inc. (Omega - Mississippi) as a wholly owned for-profit subsidiary. Omega - Mississippi was incorporated to meet the domestic corporation requirements of the state of Mississippi. After Omega meets Mississippi's Third Party Administrator requirement for number of years in operation, the organization anticipates merging Omega - Mississippi into Omega.

As part of its incorporation, Omega - Mississippi issued a promissory note to Omega in the amount of \$4,700. This loan was revised on September 25, 2004, bears interest at "Fed Funds plus 5.00%" and matures on December 31, 2008. The loan is unsecured and is payable upon demand or at maturity if no demand is made. During the year ended December 31, 2004, Omega received \$322 in interest income from Omega - Mississippi.

On October 31, 2003, Omega and Omega - Mississippi entered into an administrative services agreement, where Omega "will provide product support, customer service and related services necessary to administer dental insurance contracts administered by Omega - Mississippi". Omega - Mississippi will be billed monthly at a rate of \$2.25 per subscriber, per month based upon the number of subscribers at the end of each respective month. The initial term of this agreement is for a period of five years and will expire on October 31, 2008. Omega received administration fees of \$13,727 and \$729 during the years ended December 31, 2004 and 2003.

Pursuit to Omega's administrative services contract with GBA, Omega - Mississippi incurred claims administration fees during the year ended December 31, 2004 of \$4,411.

**c. The Incorporated PAC of Delta Dental Plan of Arkansas, Inc.**

On October 27, 2004 the organization incorporated The Incorporated PAC of Delta Dental Plan of Arkansas, Inc. (the PAC) as a wholly owned subsidiary. The PAC was incorporated to serve as a political committee which may make contributions to and expenditures on behalf of state candidates, and other committees, and all matters thereto. As of December 31, 2004 and through the date of this report, the PAC has transacted no business activity.

**d. Delta Dental Foundation, Inc.**

On December 15, 2004, the organization incorporated Delta Dental Foundation, Inc. (The Foundation) as a 501(c)(3) organization to promote oral health in the State of Arkansas. In addition to its promotion of oral health, the Foundation will make gifts, grants, and contributions to other charitable organizations as well as promote educational endeavors as permitted by the Internal Revenue Code. As of December 31, 2004 and through the date of this report, the Foundation has transacted no business activity and is in the process of completing the Internal Revenue Service Exemption Application Form 1023.

### **NOTE 11 - DEBT**

**b.** At December 31, 2004, the organization had three outstanding lines of credit totaling \$6,350,000 available for use in its business operations.

(1) The first line of credit totals \$4,000,000 and was established for use during the construction of the organization's new office facilities building. This line of credit is secured by investment securities maintained by Stephens, Inc. and all income earned and proceeds received from these securities. Interest accrues at a variable rate and is determined periodically as .500% above the "LIBOR Daily Floating Rate". Currently the interest rate approximates 2.920%. Interest only payments are due on the 10th of each month with one payment of the outstanding principal plus any accrued unpaid interest due on November 10, 2008. At December 31, 2002, \$2,000,000 had been drawn and was outstanding on this line of credit.

(2) The second line of credit totals \$2,000,000 and was established for use "in case of

NOTES TO FINANCIAL STATEMENTS

emergencies or instance of natural disaster". This line of credit is unsecured and matures on April 30, 2005. Interest accrues at a variable rate and is determined periodically as the „Wall Street Journal Prime Rate less .25%“. Currently, the interest rate approximates 5.000%. Payment in full is due upon demand. If no demand is made, interest only payments are due on the 30th of each month with one payment of the outstanding principal plus any accrued unpaid interest due on April 30, 2005. At December 31, 2004, no amounts had been drawn and none were outstanding on this line of credit.

- (3) The third line of credit totals \$350,000 and was established for use as "overdraft protection". This line of credit is unsecured and matures on April 30, 2005. Interest accrues at a variable rate and is determined periodically as the „Wall Street Journal Prime Rate less .25%“. Currently, the interest rate approximates 5.000%. Payment in full is due upon demand. If no demand is made, all outstanding principal plus any accrued interest is due on April 30, 2005. At December 31, 2004, no amounts had been drawn and none were outstanding on this line of credit.

NOTE 12 - RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- b. (1) The organization provides three retirement plans for its eligible employees.

The first, a profit sharing plan, has an effective date of July 1, 1994 and covers all full-time employees of the organization who have completed one year of service. Organization contributions are discretionary and limited by the internal revenue code. Total costs related to this plan were approximately \$228,100 and \$170,000 for the years ended December 31, 2004 and 2003, respectively.

The second, a 401 (k) Profit Sharing Plan, was established on July 1, 1994 and was restated effective January 1, 1997 and January 1, 2003. To be eligible to participate, an employee must have reached eighteen (18) years of age and have completed three (3) months of eligibility service. Pursuant to this plan, participant contributions cannot exceed 20% of compensation and are 100% vested and nonforfeitable. The organization will match 100% the first 3% of deferred wages and 50% of the next 2% of deferred wages. These matching contributions vest 20% per year over a five year period. Total costs related to this plan were approximately \$85,600 and \$101,400 for the years ended December 31, 2004 and 2003, respectively.

The third, a Nonqualified 457 (b) Retirement Plan was established by the organization on April 1, 2003 "as an inducement and motivation to its key managerial and highly compensated employees and its Board of Directors". Participation in the plan is determined at the sole discretion of the organization's Board of Directors. At December 31, 2004, plan assets totaled \$173,454 and plan liabilities totaled \$173,583 resulting in a gain reported in the statement of activities of \$1,020. The gain results from netting the \$1,149 difference between plan assets and liabilities at December 31, 2004 with the \$129 difference at December 31, 2003.

- (2) On August 2, 2000, the date of his retirement, the organization agreed to pay biweekly retirement benefits of \$1,750.16 to its former President and CEO. These benefits are to be paid for the rest of his life or ten years, whichever is greater. In the event of his death during the ten year period following retirement, one-half of the retirement benefit will be paid to his widow for the remainder of the ten year period.

NOTE 13 - CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

9. (a) Unrealized gains on US Treasury Bonds and agency securities totaled \$158,332 at December 31, 2004.
- (b) Non-admitted assets, excluding the adjustment for investment carrying value, totaled \$3,419,924 at December 31, 2004.

NOTE 14 - CONTINGENCIES

None.

NOTES TO FINANCIAL STATEMENTS

NOTE 15 - LEASES

None.

NOTE 16 - INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

None.

NOTE 17 - SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENT OF LIABILITIES

None.

NOTE 18 - GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND FROM THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

b. The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans were as follows for the years ended December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
(a) Gross reimbursement for medical costs incurred	\$ 120,652,307	\$ 107,331,560
(b) Gross Administrative fees accrued	9,203,077	8,558,025
(c) Other income and expenses	0	0
(d) Gross expenses incurred	<u>(129,855,384)</u>	<u>(115,889,585)</u>
(e) Total net gain or loss from operations	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 19 - DIRECT PREMIUMS WRITTEN OR PRODUCED BY MANAGING GENERAL AGENTS OR THIRD PARTY ADMINISTRATORS

None.

NOTE 20 - SEPTEMBER 11 EVENTS

None.

NOTE 21 - OTHER ITEMS

None.

NOTE 22 - EVENTS SUBSEQUENT

None.

NOTE 23 - REINSURANCE

None.

NOTE 24 - RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

None.

NOTE 25 - CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The reserve for incurred claims and claim adjustment expenses attributable to insured events decreased \$414,160, from \$3,028,083 at December 31, 2003 to \$2,613,923 at December 31, 2004. This decrease is a result of the reestimation of unpaid claims and claim adjustment expenses principally related to dental insurance. Original estimates are increased and decreased

NOTES TO FINANCIAL STATEMENTS

as additional information becomes available regarding individual claims and as a result of the ongoing analysis of recent loss development trends.

NOTE 26 - INTERCOMPANY POOLING ARRANGEMENTS

None.

NOTE 27 - STRUCTURED SETTLEMENTS

None.

NOTE 28 - HEATH CARE RECEIVABLES

None.

NOTE 29 - PARTICIPATING POLICIES

None.

NOTE 30 - PREMIUM DEFICIENCY RESERVES

None.

NOTE 31 - ANTICIPATED SALVAGE AND SUBROGATION

None.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	14,259,656	43.064	14,259,656	46.916
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC	1,424,513	4.302	1,424,513	4.687
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage- backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	49,208	0.149	49,208	0.162
3.42 Unaffiliated	3,453,860	10.431	3,453,860	11.364
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	6,328,787	19.113	3,610,163	11.878
5.2 Property held for production of income (includes \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ 0 including property acquired in satisfaction of debt)	964,453	2.913	964,453	3.173
6. Policy loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	6,631,884	20.028	6,631,884	21.820
9. Other invested assets				
10. Total invested assets	33,112,361	100.000	30,393,737	100.000



GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☐ No ☒
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☐ No ☒ N/A ☐
- 1.3

State Regulating?
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐
- 2.2

If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.

12/04/2004
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

02/18/2003
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

02/18/2003
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/18/2003
- 3.4

By what department or departments? Arkansas Insurance Department
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

4.12 renewals?

Yes ☐ No ☒  
Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

4.22 renewals?

Yes ☐ No ☒  
Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,

7.21 State the percentage of foreign control

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

0 %

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO
		NO	NO	NO	NO	NO

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Massey & Wood  
137 Shadow Oaks Drive, Sherwood, AR 72120
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

William T. Billard  
Delta Dental Plan of Michigan, Inc.  
4100 Okemos Road, Okemos, MI 48864
11.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 11.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 11.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [X]
- 11.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [X]
- 11.4

If answer to (11.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [X] N/A [ ]

BOARD OF DIRECTORS

12.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No [ ]
13.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No [ ]
14.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes [ ] No [X]

FINANCIAL

- 15.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

15.11

To directors or other officers

\$

15.12

To stockholders not officers

\$

15.13

Trustees, supreme or grand (Fraternal only)

\$
- 15.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

15.21

To directors or other officers

\$

15.22

To stockholders not officers

\$

15.23

Trustees, supreme or grand (Fraternal only)

\$
- 16.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [ ] No [X]
- 16.2

If yes, state the amount thereof at December 31 of the current year:

16.21

Rented from others

\$

16.22

Borrowed from others

\$

16.23

Leased from others

\$

16.24

Other

\$

Disclose in Notes to Financial the nature of each obligation.
- 17.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [ ] No [X]
- 17.2

If answer is yes:

17.21

Amount paid as losses or risk adjustment

\$

17.22

Amount paid as expenses

\$

17.23

Other amounts paid

\$

GENERAL INTERROGATORIES

INVESTMENT

18. List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
Preferred					Yes [ ] No [X]	Yes [ ] No [X]
Common				X X X	X X X X X X	X X X X X X

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [ ] No [X]

19.2 If no, give full and complete information, relating thereto

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1).

Yes [X] No [ ]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others

20.22 Subject to repurchase agreements

20.23 Subject to reverse repurchase agreements

20.24 Subject to dollar repurchase agreements

20.25 Subject to reverse dollar repurchase agreements

20.26 Pledged as collateral

20.27 Placed under option agreements

20.28 Letter stock or securities restricted as to sale

20.29 Other

\$

\$

\$

\$

\$

\$2,000,000

\$

\$

\$

20.3 For category (20.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [X]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [X] N/A [ ]

If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [X]

22.2 If yes, state the amount thereof at December 31 of the current year.

\$

GENERAL INTERROGATORIES

INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ]    No [   ]

23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Stephens Capital Management, Inc.	111 Center Street, Little Rock, AR 72201

23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes [   ]    No [ X ]

23.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

23.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [   ]    No [ X ]

24.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999    Total		

24.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES

INVESTMENT

25. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
25.1 Bonds	15,684,169	15,853,221	169,052
25.2 Preferred stocks			
25.3 Totals	15,684,169	15,853,221	169,052

25.4 Describe the sources or methods utilized in determining the fair values:

26.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securitites Valuation Office been followed? Yes [ ] No [X]

26.2 If no, list exceptions:

OTHER

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 187,390

27.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1	2
Name	Amount Paid
Delta Dental Plans Association	\$ 187,390
	\$
	\$
	\$
	\$

28.1 Amount of payments for legal expenses, if any? \$ 32,855

28.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Southern & Allen	\$ 32,828
	\$
	\$
	\$
	\$

29.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 12,100

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or department of government during the period covered by this statement.

1	2
Name	Amount Paid
Phillips Management	\$ 12,100
	\$
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

YES [ ] NO [ X ]

1.2 If yes, indicate premium earned on U.S. business only.

\$

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$

1.62 Total incurred claims

\$

1.63 Number of covered lives

\$

All years prior to most current three years:

1.64 Total premium earned

\$

1.65 Total incurred claims

\$

1.66 Number of covered lives

\$

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$

1.72 Total incurred claims

\$

1.73 Number of covered lives

\$

All years prior to most current three years:

1.74 Total premium earned

\$

1.75 Total incurred claims

\$

1.76 Number of covered lives

\$

2. Health Test:

1

2

Current Year

Prior Year

2.1 Premium Numerator

\$ 52,980,674

\$ 48,844,265

2.2 Premium Denominator

\$ 52,980,674

\$ 48,844,265

2.3 Premium Ratio (2.1/2.2)

1.00

1.00

2.4 Reserve Numerator

\$ 2,505,000

\$ 2,900,000

2.5 Reserve Denominator

\$ 2,505,000

\$ 2,900,000

2.6 Reserve Ratio (2.4/2.5)

1.00

1.00

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

YES [ ] NO [ X ]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

YES [ X ] NO [ ]

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

YES [ X ] NO [ ]

5.1 Does the reporting entity have stop-loss reinsurance?

YES [ ] NO [ X ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$

5.32 Medical Only

\$

5.33 Medicare Supplement

\$

5.34 Dental

\$ 2,500

5.35 Other Limited Benefit Plan

\$

5.36 Other

\$

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: We maintain sufficient cash reserves to protect against the risk of involuncy. Also, a large portion of our investments are held in US Treasury Securities to minimize the risk to those assets.

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis?

YES [ X ] NO [ ]

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

918

8.2 Number of providers at end of reporting year

954

9.1 Does the reporting entity have business subject to premium rate guarantees?

YES [ ] NO [ X ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

(Continued)

PART 2 - HEALTH INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

YES [   ]      NO [ X ]

10.2

If yes:

10.21

Maximum amount payable bonuses

\$ \_\_\_\_\_

10.22

Amount actually paid for year bonuses

\$ \_\_\_\_\_

10.23

Maximum amount payable withholds

\$ \_\_\_\_\_

10.24

Amount actually paid for year withholds

\$ \_\_\_\_\_

11.1

Is the reporting entity organized as:

11.12

A Medical Group/Staff Model,

YES [   ]      NO [ X ]

11.13

An Individual Practice Association (IPA), or,

YES [   ]      NO [ X ]

11.14

A Mixed Model (combination of above)?

YES [   ]      NO [ X ]

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

YES [ X ]      NO [   ]

11.3

If yes, show the name of the state requiring such net worth.

Arkansas

11.4

If yes, show the amount required.

\$ \_\_\_\_\_ 50,000

11.5

Is this amount included as part of contingency reserve in stockholder's equity?

YES [   ]      NO [ X ]

11.6

If the amount is calculated, show the calculation

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

12.

List service areas in which reporting entity is licensed to operate:

1		
Name of Service Area		
Third Party Administrator for Dental		

FIVE-YEAR HISTORICAL DATA

	1	2	3	4	5
	2004	2003	2002	2001	2000
<b>BALANCE SHEET ITEMS</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	36,101,630	30,291,766	27,464,025	25,651,099	21,000,006
2. Total liabilities (Page 3, Line 22)	9,454,721	9,944,000	6,106,408	6,087,327	6,085,692
3. Statutory surplus		50,000	50,000	50,000	50,000
4. Total capital and surplus (Page 3, Line 30)	26,646,909	20,347,766	21,357,617	19,563,772	14,914,314
<b>INCOME STATEMENT ITEMS</b> (Page 4)					
5. Total revenues (Line 8)	53,075,795	48,844,265	42,089,864	38,467,149	35,230,959
6. Total medical and hospital expenses (Line 18)	43,430,187	41,318,009	36,011,966	31,395,952	30,460,126
7. Claims adjustment expenses (Line 20)	1,412,907				
8. Total administrative expenses (Line 21)	4,650,186	3,870,421	3,254,317	1,734,567	2,689,641
9. Net underwriting gain (loss) (Line 24)	3,582,515	2,056,065	1,412,405	3,531,872	2,081,192
10. Net investment gain (loss) (Line 27)	719,345	524,684	1,335,872	984,034	939,809
11. Total other income (Lines 28 plus 29)		215,747	185,281	89,172	68,468
12. Net income or (loss) (Line 32)	4,301,860	2,796,496	2,933,558	4,605,078	3,089,469
<b>RISK-BASED CAPITAL ANALYSIS</b>					
13. Total adjusted capital	26,646,909	20,347,766	21,357,617	19,563,772	14,914,314
14. Authorized control level risk-based capital	1,906,948	1,732,052	1,762,520	1,531,818	1,362,798
<b>ENROLLMENT</b> (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	118,331	114,202	104,766	92,759	
16. Total members months (Column 6, Line 7)	1,384,797	1,331,574	1,227,487		
<b>OPERATING PERCENTAGE</b> (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
17. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical (Line 18)	82.0	84.6	85.6	81.6	86.5
19. Cost containment expenses	2.7	X X X	X X X	X X X	X X X
20. Other claims adjustment expenses	8.8				
21. Total underwriting deductions (Line 23)	93.4	95.8	96.6	90.8	7.6
22. Total underwriting gain (loss) (Line 24)	6.6	4.2	3.4	9.2	5.9
<b>UNPAID CLAIMS ANALYSIS</b> (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 12, Col. 5)	2,752,050	2,310,193	2,166,415	2,299,240	2,912,000
24. Estimated liability of unpaid claims - [prior year (Line 12, Col. 6)]	2,900,000	2,127,000	2,500,000	3,180,000	2,912,000
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	49,208	(3,265)			
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30	49,208	(3,265)			



SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS	1. United States .....	15,684,169	15,853,221	15,980,055	15,672,000
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	15,684,169	15,853,221	15,980,055	15,672,000
Governments (Including all obligations guaranteed by governments)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
	8. Totals				
States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
	12. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	13. United States .....				
	14. Canada .....				
	15. Other Countries .....				
	16. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals				
Public Utilities (unaffiliated)	21. United States .....				
	22. Canada .....				
	23. Other Countries .....				
	24. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	25. Totals				
	26. Total Bonds	15,684,169	15,853,221	15,980,055	15,672,000
	27. United States .....				
	28. Canada .....				
PREFERRED STOCKS	29. Other Countries .....				
	30. Totals				
	31. United States .....				
	32. Canada .....				
Public Utilities (unaffiliated)	33. Other Countries .....				
	34. Totals				
	35. United States .....				
	36. Canada .....				
Banks, Trust and Insurance Companies (unaffiliated)	37. Other Countries .....				
	38. Totals				
	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Public Utilities (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	49. United States .....	3,453,860	3,453,860	3,187,949	
	50. Canada .....				
	51. Other Countries .....				
	52. Totals	3,453,860	3,453,860	3,187,949	
Industrial and Miscellaneous (unaffiliated)	53. Totals	49,208	49,208	135,000	
	54. Total Common Stocks	3,503,068	3,503,068	3,322,949	
	55. Total Stocks	3,503,068	3,503,068	3,322,949	
	56. Total Bonds and Stocks	19,187,237	19,356,289	19,303,004	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year .....	18,453,684	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	6,054,557	6.1 Column 15, Part 1 .....	
3. Increase (decrease) by adjustment:		6.2 Column 19, Part 2, Section 1 .....	
3.1 Columns 12 + 13 - 14, Part 1 .....	(151,690)	6.3 Column 16, Part 2, Section 2 .....	
3.2 Column 18, Part 2, Section 1 .....		6.4 Column 15, Part 4 .....	
3.3 Column 15, Part 2, Section 2 .....	326,507	7. Book/adjusted carrying value at end of current period .....	19,187,237
3.4 Column 14, Part 4 .....	(28,973)	8. Total valuation allowance .....	
4. Total gain (loss), Column 19, Part 4 .....	15,368	9. Subtotal (Lines 7 plus 8) .....	19,187,237
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	5,482,216	10. Total nonadmitted amounts .....	
		11. Statement value of bonds and stocks, current period .....	19,187,237

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

			1	2	Direct Business Only					
					3	4	5	6	7	8
State, Etc.			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/Casualty Premiums
1.	Alabama	AL	NO	NO						
2.	Alaska	AK	NO	NO						
3.	Arizona	AZ	NO	NO						
4.	Arkansas	AR	YES	YES	52,980,674					
5.	California	CA	NO	NO						
6.	Colorado	CO	NO	NO						
7.	Connecticut	CT	NO	NO						
8.	Delaware	DE	NO	NO						
9.	Dist. Columbia	DC	NO	NO						
10.	Florida	FL	NO	NO						
11.	Georgia	GA	NO	NO						
12.	Hawaii	HI	NO	NO						
13.	Idaho	ID	NO	NO						
14.	Illinois	IL	NO	NO						
15.	Indiana	IN	NO	NO						
16.	Iowa	IA	NO	NO						
17.	Kansas	KS	NO	NO						
18.	Kentucky	KY	NO	NO						
19.	Louisiana	LA	NO	NO						
20.	Maine	ME	NO	NO						
21.	Maryland	MD	NO	NO						
22.	Massachusetts	MA	NO	NO						
23.	Michigan	MI	NO	NO						
24.	Minnesota	MN	NO	NO						
25.	Mississippi	MS	NO	NO						
26.	Missouri	MO	NO	NO						
27.	Montana	MT	NO	NO						
28.	Nebraska	NE	NO	NO						
29.	Nevada	NV	NO	NO						
30.	New Hampshire	NH	NO	NO						
31.	New Jersey	NJ	NO	NO						
32.	New Mexico	NM	NO	NO						
33.	New York	NY	NO	NO						
34.	North Carolina	NC	NO	NO						
35.	North Dakota	ND	NO	NO						
36.	Ohio	OH	NO	NO						
37.	Oklahoma	OK	NO	NO						
38.	Oregon	OR	NO	NO						
39.	Pennsylvania	PA	NO	NO						
40.	Rhode Island	RI	NO	NO						
41.	South Carolina	SC	NO	NO						
42.	South Dakota	SD	NO	NO						
43.	Tennessee	TN	NO	NO						
44.	Texas	TX	NO	NO						
45.	Utah	UT	NO	NO						
46.	Vermont	VT	NO	NO						
47.	Virginia	VA	NO	NO						
48.	Washington	WA	NO	NO						
49.	West Virginia	WV	NO	NO						
50.	Wisconsin	WI	NO	NO						
51.	Wyoming	WY	NO	NO						
52.	American Samoa	AS	NO	NO						
53.	Guam	GU	NO	NO						
54.	Puerto Rico	PR	NO	NO						
55.	U.S. Virgin Islands	VI	NO	NO						
56.	Canada	CN	NO	NO						
57.	Aggregate other alien	OT	X X X	X X X						
58.	Total (Direct Business)		X X X	(a) 1	52,980,674					
DETAILS OF WRITE-INS										
5701.			X X X	X X X						
5702.			X X X	X X X						
5703.			X X X	X X X						
5798.	Summary of remaining write-ins for Line 57 from overflow page		X X X	X X X						
5799.	Totals (Lines 5701 through 5703 plus 5798) (Line 57 above)		X X X	X X X						
Explanation of basis of allocation by states, premiums by state, etc.										

(a) Insert the number of yes responses except for Canada and other Alien.

NONE                      Schedule Y - Part 1

OVERFLOW PAGE FOR WRITE-INS

OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation  
UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR EXPENSES					
2504. Seminars		7,321	74,851		82,172
2505. Subscriptions and Dues		30	23,985		24,015
2506. Consulting		60,824	40,549		101,373
2507.					
2508.					
2509.					
2510.					
2511.					
2512.					
2513.					
2514.					
2515.					
2516.					
2517.					
2518.					
2519.					
2520.					
2521.					
2522.					
2523.					
2524.					
2525.					
2597. Totals (Lines 2504 through 2525) (Page 14, Line 2598)		68,175	139,385		207,560